

Message Text

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13-12

ACTION EB-07

INFO OCT-01 NEA-10 IO-11 ISO-00 ERDA-05 FEA-01 AGR-05

CEA-01 CIAE-00 COME-00 DODE-00 FRB-03 H-02 INR-07

INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01 AID-05

CIEP-01 SS-15 STR-04 TAR-01 TRSE-00 USIA-06 PRS-01

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FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC 3323

INFO USDEL MTN GENEVA

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E.O. 11652: N/A

TAGS: ETRD, MTN, IN

SUBJECT: MTN: TROPICAL PRODUCTS NEGOTIATIONS

REF: 75 STATE 287116

1. REFTEL REQUESTS THIS AND OTHER EMBASSIES TO "IDENTIFY SPECIFIC TRADE BARRIERS AND MEASURES RESTRICTING US TRADE WHICH THE HOST COUNTRY MIGHT FEASIBLY REDUCE OR ELIMINATE" IN THE CONTEXT OF TROPICAL PRODUCTS NEGOTIATIONS. INDIA HAS BEEN SUBJECT OF INTER-AGENCY MTN COUNTRY PROFILE, DRAFT OF WHICH EMBASSY COMMENTED ON IN DELHI 7673, JUNE 11, 1975. FOLLOWING REMARKS ARE INTENDED TO SUPPLEMENT AND HIGHLIGHT CERTAIN POINTS OF COUNTRY PROFILE.

2. CRITICAL FACTOR IN SEARCH FOR POTENTIAL INDIAN CONCESSIONS IN MTN IS PERVASIVE INDIAN IMPORT LICENSING SYSTEM. BECAUSE OF IT, REDUCTIONS IN TARIFF OR NON-TARIFF OBSTACLES WILL, AS A GENERAL RULE, HAVE LITTLE IMPACT ON LEVELS OF IMPORTS. USG COULD INITIATE DISCUSSION OF LICENSING SYSTEM (AS WELL AS SYSTEM OF BILATERAL RUPEE AGREEMENTS WITH SOVIET UNION AND EASTERN EUROPEAN STATES, LIMITED OFFICIAL USE

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WHICH IN EFFECT COMPLEMENTS CONTROLS OVER HARD CURRENCIES) IN

THE MTN CONTEXT. BUT WE SHOULD RECOGNIZE THAT INDIANS CONSIDER THESE POLICIES NON-NEGOTIABLE, AND MIGHT INTERPRET THEIR INCLUSION IN A US RESPONSE AS A DEVICE FOR AVOIDING ANY CONCESSIONS AT ALL.

3. EMBASSY BELIEVES US EFFORTS SHOULD BE FOCUSED ON IDENTIFYING THOSE PRODUCTS AND AREAS IN WHICH GOI ITSELF HAS SOME INTEREST IN FACILITATING EXPANDED VOLUME AND/OR LOWER EFFECTIVE PRICE OF IMPORTS. WE SEE TWO AREAS AS PROMISING:

(A) IMPORTS FOR GOVERNMENT ACCOUNT: GIVEN THE LARGE ROLE OF THE GOVERNMENT ITSELF IN THE DOMESTIC ECONOMY, SIZABLE PORTION OF IMPORT REVENUES REPRESENTS TRANSFERS FROM THE ACCOUNTS OF OTHER GOVERNMENT PROGRAMS--THE COST OF WHICH MAY OR MAY NOT BE PASSED ON TO THE ULTIMATE CONSUMER. WHERE THE GOVERNMENT HAS IDENTIFIED A HIGH PRIORITY FOR ITS OWN DEVELOPMENT EFFORTS, A PROPOSAL TO REDUCE IMPORT DUTIES SHOULD BE PERSUASIVE. WE ARE THINKING FOR EXAMPLE OF FERTILIZERS, MINING EQUIPMENT, AND POWER GENERATING EQUIPMENT, FOR WHICH U.S. EXPORT POTENTIAL IS HIGH. IN SUCH AREAS FOREIGN EXCHANGE MAY BE AVAILABLE BUT THE IMPACT OF DUTIES ON COST PROBABLY HAS SOME EFFECT ON PROGRAM MANAGERS' PROCUREMENT DECISIONS.

(B) IMPORTS FOR EXPORTS: THE GOI HAS RECOGNIZED THE TRADE RESTRAINING EFFECT OF IMPORT DUTIES ON GOODS USED IN THE PRODUCTION OF EXPORT ITEMS. A SYSTEM OF CUSTOMS DRAWBACKS HAS BEEN INSTITUTED, BUT IT IS BOTH COMPLICATED AND SELECTIVE. GIVEN THE GOI'S HEIGHTENED INTEREST IN EXPANDING EXPORTS, ARGUMENTS AIMED AT THIS SECTOR SHOULD BE EFFECTIVE. WE ARE THINKING IN TERMS OF BOTH SIMPLIFICATION OF THE DRAWBACK SYSTEM AND TARIFF REDUCTIONS. INFORMATION ON WHAT PRODUCTS IN THIS AREA ARE OF PARTICULAR INTEREST TO THE US IS NOT READILY AVAILABLE, BUT PROBABLY COULD BE DEVELOPED THROUGH CONTACTS WITH TRADE SOURCES.

4. WE NOTE THAT THE COUNTRY PROFILE DOES NOT MENTION INDIA'S SYSTEM OF UK PREFERENCES. WE HAVE LONG EXPECTED THAT THE ELIMINATION OF THESE PREFERENCES WILL BE A KEY ELEMENT IN THE PACKAGE OF INDIA'S CONTRIBUTIONS TO THE MTN. IN THIS CONNECTION P.C. ALEXANDER, SECRETARY FOREIGN TRADE (SENIOR CIVIL SERVANT IN CHARGE OF TRADE POLICY MATTERS) HAS TOLD US THAT GOI WOULD BE PREPARED TO TABLE OFFERS ON UK PREFERENCES IN CONTEXT OF LIMITED OFFICIAL USE

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TROPICAL PRODUCTS NEGOTIATIONS. HE STRESSED, HOWEVER, THAT IMPLEMENTATION MUST BE STAGED OVER YEAR OR TWO SINCE SLOW PHASE OUT WAS DE FACTO QUID PRO QUO FOR RECENT BRITISH HELPFUL ACTIONS IN TRADE FIELD.

5. THERE ARE IN ADDITION A LARGE NUMBER OF DOCUMENTARY, FINANCIAL AND SHIPPING REQUIREMENTS WHICH SERVE AS IMPEDIMENTS TO TRADE. IN ADDITION TO THE CONSULAR AND CUSTOMS FORMALITIES

AND DOCUMENTATION MENTIONED IN THE COUNTRY PROFILE, WE NOTE FOR EXAMPLE THE REQUIREMENT TO USE INDIAN NATIONAL CARRIERS FOR SHIPMENTS ON GOI ACCOUNT, AND THE REQUIREMENT TO OPEN LETTERS OF CREDIT FOR GOVERNMENT PURCHASES ONLY THROUGH CORRESPONDENTS OF THE STATE BANK OF INDIA.

6. PLEASE ADVISE WHETHER EMBASSY SHOULD PURSUE IDENTIFICATION OF PRODUCTS AND PROCEDURES PINPOINTED IN PARA 3 ABOVE AND IF SO, TIMEFRAME FOR FURTHER INPUTS TO US NEGOTIATING POSITION.
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